

AMENDED IN SENATE AUGUST 7, 2006

AMENDED IN SENATE JUNE 20, 2006

AMENDED IN ASSEMBLY JANUARY 4, 2006

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

ASSEMBLY BILL

No. 237

Introduced by Assembly Member Arambula

February 7, 2005

An act to amend Sections 15570 and 16727 of, and to add Section 63037 to, the Government Code, *and to amend Section 50834 of the Health and Safety Code*, relating to infrastructure finance, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 237, as amended, Arambula. California Infrastructure and Economic Development Bank.

(1) Existing law requires the Secretary of Labor and Workforce Development to lead the preparation of the biennial California Economic Development Strategic Plan and to convene the California Economic Strategy Panel, composed of a specified membership including the secretary, who serves as chair. The panel is required to conduct specified activities and make recommendations in regard to the plan, which is required to be reviewed by the secretary and conveyed to specified entities.

This bill would additionally require the Secretary of Business, Transportation and Housing to lead the preparation of the plan, convene the panel, serve on the panel as cochair, and convey the panel's recommendations to the specified entities, jointly with the Secretary of Labor and Workforce Development. It would require the

panel to additionally, and on an ongoing basis, advise and assist the California Infrastructure and Economic Development Bank in furthering the economic development policies of the bank.

(2) Existing law generally sets forth the duties of the California Infrastructure and Economic Development Bank in promoting economic development activities in the state. Moneys in the California Infrastructure and Economic Development Bank Fund are continuously appropriated to the bank for these purposes.

The State General Obligation Bond Law generally sets forth the requirements for the use of the proceeds of the sale of general obligation bonds approved by the voters.

This bill would require the bank to establish a local assistance program to provide technical support to small and rural communities in the state in obtaining financing for local infrastructure projects, as defined, subject to specified criteria. It would establish the Community Technical Assistance Fund in the State Treasury; and require a specified percentage of the proceeds of the sale of general obligation bonds authorized on or after January 1, 2007, for purposes of infrastructure projects that may be undertaken by local agencies; to be transferred to the fund. It would continuously appropriate these moneys to the bank in amounts representing the pro rata share of each source of funds.

This bill would also make an appropriation by providing for a new use of the continuously appropriated California Infrastructure and Economic Development Bank Fund by the bank.

(3) Under existing law, the Department of Housing and Community Development allocates federal community development block grant funds to cities and counties and is required to prepare a training manual and request for proposals for economic development grants. Existing law requires any economic development grant funds not encumbered for the funding of a project by the end of the federal contract period to revert to the general program and be set aside for use if approved projects for which no funds are available are pending.

This bill would require any economic development grants not encumbered for the funding of a project by the end of the second quarter of the federal contract period to be made available for economic development planning and technical assistance grants and be set aside for use if approved projects for which no funds are available are pending.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 15570 of the Government Code is
2 amended to read:
3 15570. (a) The Secretary of Labor and Workforce
4 Development and the Secretary of Business, Transportation and
5 Housing shall jointly lead the preparation of a biennial California
6 Economic Development Strategic Plan. In fulfilling this duty, the
7 secretaries shall jointly do the following:
8 (1) Review the recommendations made by the California
9 Economic Strategy Panel in their biennial economic development
10 strategic plan document. This document shall make
11 recommendations regarding an economic development strategic
12 plan for the state, covering a two-year time period and containing
13 a statement of economic goals for the state, a prioritized list
14 identifying significant issues learned from economic
15 development strategic plan panel meetings, proposals for
16 legislation, regulations, and administrative reforms necessary to
17 improve the business climate and economy of the state,
18 evaluation of the effectiveness of the state's economic
19 development programs, a list of key industries in which the state
20 shall focus its economic development efforts, and strategies to
21 foster job growth and economic development covering all state
22 agencies, offices, boards, and commissions that have economic
23 development responsibilities.
24 (2) Convene a biennial economic strategy panel to provide
25 recommendations regarding a California economic development
26 strategic plan. This panel shall conduct meetings in Sacramento,
27 all cities of the state with populations over 500,000, and in major
28 cities of other regions of California as designated by the
29 secretaries. The secretaries shall invite businesses, labor unions,
30 organizations representing the interests of diverse ethnic and
31 gender groups, local government leaders, academic economists
32 and business professors, chambers of commerce and other
33 business organizations, government agencies, and key industries
34 to contribute to the preparation of the recommended economic

1 strategy. These meetings shall address at least the following
2 matters of concern:

3 (A) Strengths and weaknesses of the California economy and
4 the state's prospects for future economic prosperity.

5 (B) Emerging and declining industries in California and
6 elsewhere.

7 (C) Effectiveness of California's economic development
8 programs in creating and retaining jobs and attracting industries.

9 (D) Adequacy of state and local physical and economic
10 infrastructure.

11 (E) Government impediments to economic development.

12 (F) The development of a system of accountability for use in
13 the annual state budget process and in the legislative process to
14 measure the performance of all state policies, programs, and tax
15 expenditures intended to stimulate the economy. In developing a
16 system of accountability, the panel shall, by using only existing
17 resources and without future budget augmentation made for this
18 purpose, do all of the following:

19 (i) Develop a standard definition of economic development.

20 (ii) Develop, for use in state law, standard measurements of
21 real per capita income, job growth, new business creation, private
22 sector investment, minority entrepreneurship, and income
23 inequality.

24 (iii) Survey and evaluate efforts in other states to develop
25 accountability measures for public investments in economic
26 development.

27 (iv) Determine whether a return on investment calculation is
28 feasible for public investments in economic development.

29 (v) Conduct a comparative study of various methodologies for
30 preparing the economic development sections of a state budget,
31 including unified functional budget, zero-based budget, and
32 performance-based budget methodologies.

33 (vi) Study the feasibility of statutory disclosure requirements
34 on specified publicly funded subsidies to private sector
35 businesses.

36 (vii) Submit a report of its findings and recommendations
37 regarding this subparagraph to the Legislature no later than one
38 year after its first meeting after January 1, 2005.

39 (b) The panel shall be composed of the following 16 members:

1 (1) The Secretary of Labor and Workforce Development and
2 the Secretary of Business, Transportation and Housing, who shall
3 serve as cochair of the panel.

4 (2) Eight persons appointed by the Governor.

5 (3) The Speaker of the Assembly or his or her designee.

6 (4) The President pro Tempore of the Senate or his or her
7 designee.

8 (5) The Minority Leader of the Assembly or his or her
9 designee.

10 (6) The Minority Leader of the Senate or his or her designee.

11 (7) One person appointed by the Speaker of the Assembly.

12 (8) One person appointed by the Senate Committee on Rules.

13 (c) The panel shall be representative of state government,
14 business, labor, finance, and academic institutions, and shall be
15 broadly reflective of the state's population as to gender, ethnicity,
16 and geographic residence within California.

17 At least one-half of all the persons on the panel shall be from
18 the private sector and at least two appointments shall be from
19 private businesses with less than 50 employees. At least two
20 appointments shall be from rural areas of the state. Beginning
21 January 1, 2004, appointments to the panel shall be for four-year
22 terms, except that the Governor's appointments made pursuant to
23 paragraph (2) of subdivision (b) shall be made as follows:

24 (1) Four members shall be appointed on January 1, 2004, and
25 every four years thereafter.

26 (2) Four members shall be appointed on January 1, 2004, for a
27 two-year term.

28 (3) Upon the expiration of the initial appointments made
29 pursuant to paragraph (2), four members shall be appointed on
30 January 1, 2006, and every four years thereafter.

31 (d) The secretaries shall deliver copies of the economic
32 strategy panel's recommended California economic development
33 strategic plan to every constitutional officer, legislator, member
34 of the Governor's cabinet, members of the economic
35 development strategic plan panel, and every state agency, office,
36 board, and commission having economic development
37 responsibilities.

38 (e) In each succeeding two-year cycle, the secretaries shall
39 jointly undertake this process anew, so as to update the economic

1 development strategic plan on or before October 31 of each
2 succeeding second year.

3 (f) In addition to its other duties under this section, the panel
4 shall, on an ongoing basis, advise and assist the California
5 Infrastructure and Economic Development Bank in furthering the
6 economic development policies of the bank.

7 SEC. 2. Section 16727 of the Government Code is amended
8 to read:

9 16727. Proceeds from the sale of any bonds issued pursuant
10 to this chapter shall be used only for the following purposes:

11 (a) The costs of construction or acquisition of capital assets.
12 “Capital assets” mean tangible physical property with an
13 expected useful life of 15 years or more. “Capital assets” also
14 means tangible physical property with an expected useful life of
15 10 to 15 years, but these costs may not exceed 10 percent of the
16 bond proceeds net of all issuance costs. “Capital assets” include
17 major maintenance, reconstruction, demolition for purposes of
18 reconstruction of facilities, and retrofitting work that is ordinarily
19 done no more often than once every 5 to 15 years or expenditures
20 that continue or enhance the useful life of the capital asset.
21 “Capital assets” also include equipment with an expected useful
22 life of two years or more. Costs allowable under this section
23 include costs incidentally but directly related to construction or
24 acquisition, including, but not limited to, planning, engineering,
25 construction management, architectural, and other design work,
26 environmental impact reports and assessments, required
27 mitigation expenses, appraisals, legal expenses, site acquisitions,
28 and necessary easements.

29 (b) To make grants or loans, if the proceeds of the grants or
30 loans are used for the costs of construction or acquisition of
31 capital assets. Bond proceeds may also be used to pay the costs
32 of a state agency for administering the grant or loan program.

33 (c) To repay funds borrowed in anticipation of the sale of the
34 bonds, including interest, or to pay interest on the bonds
35 themselves.

36 (d) To pay the costs of a state agency with responsibility for
37 administering the bond program. These costs include those
38 incurred by the Treasurer, the Controller, the Department of
39 Finance, and the Public Works Board for staff, operating
40 expenses and equipment, and consultants’ costs.

1 (e) The costs of the Treasurer's office directly associated with
2 the sale and payment of the bonds, including, but not limited to,
3 underwriting discounts, costs of printing, bond counsel,
4 registration, and fees of trustees.

5 (f) For bonds authorized on or after January 1, 2007, for
6 purposes of infrastructure projects, as defined by paragraph (2) of
7 subdivision (a) of Section 63037, which may be undertaken by
8 local agencies, the committee shall transfer an amount
9 representing one-half of one percent of the total bond proceeds to
10 the Community Technical Assistance Fund established pursuant
11 to subdivision (e) of Section 63037.

12 Nothing in this section is intended to prohibit the investment of
13 bond proceeds or the use of proceeds of those investments in any
14 manner authorized by law.

15 SEC. 3. Section 63037 is added to the Government Code, to
16 read:

17 63037. (a) (1) The bank shall establish a local assistance
18 program to provide technical support to small and rural
19 communities in the state in obtaining financing for local
20 infrastructure projects *from bonds issued after January 1, 2007*.

21 (2) For purposes of this section, "infrastructure projects" has
22 the same meaning as that given to "public development facilities"
23 in subdivision (q) of Section 63010.

24 (b) Communities shall be assisted under the program in
25 developing strategic plans, writing grants, applying for public
26 and private loans and guarantees, issuing bonds, and other
27 activities directly related to obtaining funding for infrastructure
28 projects. Technical assistance in this regard shall include
29 extended interaction with a community throughout the financing
30 process.

31 (c) The bank shall develop a competitive process for selecting
32 communities to be assisted under the program, based on
33 infrastructure need and community readiness to undertake the
34 infrastructure project. First priority shall be given to projects that
35 remediate severe health and safety problems. Second priority
36 shall be given to projects that promote economic development.
37 Third priority shall be given for projects that promote general
38 health and safety.

39 (d) The bank shall provide for no less than three professional
40 positions and one staff position to implement the program.

(e) Funds to support program activities related to assisting communities in obtaining the proceeds of bonds authorized pursuant to Section 1 of Article XVI of the California Constitution, and transferred pursuant to subdivision (f) of Section 16727, shall be provided through the Community Technical Assistance Fund, which is hereby established in the State Treasury to receive only those moneys. Moneys in the fund are continuously appropriated to the bank in amounts representing the pro rata share of each source of funds, and shall not be used for any other purpose than the furtherance of the purpose of the respective bond acts by the program.

SEC. 4. Section 50834 of the Health and Safety Code is amended to read:

50834. (a) The department shall prepare a separate and discrete training manual and request for proposal for the economic development set-aside. The department shall ensure that it can respond to requests for grants as rapidly as possible. Once an economic development project award is approved by the director, a contract shall be executed and funds made available as soon as possible.

(b) Any program income received by a city or county grantee, or any loan repayments made by a beneficiary to a grantee, may be utilized by the city or county grantee for any activity currently eligible under federal law and regulations, provided that the department determines that the beneficiary or grantee has complied reasonably with the terms and conditions described in the contract between the grantee and the department.

(c) (1) Any economic development set-aside of funds not encumbered for the funding of a project by the end of the second quarter of the federal contract period shall be made available for economic development planning and technical assistance grants, pursuant to Section 50833, and be set aside for use if approved projects for which no funds are available are pending.

~~(e)~~

(2) Any economic development set-aside of funds not encumbered for the funding of a project or grant by the end of the federal contract period shall revert to the general program and be set aside for use if approved projects for which no funds are available are pending.

1 (d) The department shall conditionally commit economic
2 development allocations to projects that meet the requirements of
3 this chapter up front, contingent upon the applicant receiving
4 those other funding commitments necessary to complete the
5 project.

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